

## MEMORANDUM

March 31, 2016

**TO:** File No. S7-08-15

**FROM:** J. Matthew DeLesDernier  
Division of Investment Management

**RE:** Investment Company Reporting Modernization — Release No.  
IC-31610

On March 30, 2016, Sara Cortes, Senior Special Counsel, Michael Pawluk, Branch Chief, J. Matthew DeLesDernier, Senior Counsel, and Naseem Nixon, Senior Counsel, of the Division of Investment Management met with Dixie Carroll, Counsel, of Ameriprise Financial; William Stobart, Vice President and Associate General Counsel, and Jamie Casto, Managing Counsel, of Nationwide; Michael J. Mazza, Assistant General Counsel and Assistant Secretary, of Northwestern Mutual; William J. Evers, Vice President and Chief Counsel, of Prudential Financial; and Stephen E. Roth, Partner, Mary Jane Wilson-Bilik, Partner, and Dodie Kent, Partner, of Sutherland Asbill & Brennan LLP.

The purpose of the meeting was to discuss proposed rule 30e-3 under the Investment Company Act of 1940.

Attachment

# Comments of The Committee of Annuity Insurers In Support of Revised Proposed Rule 30e-3

---

Meeting with the Staff of the Securities and Exchange Commission's Division of Investment Management

March 30, 2016

THE **Committee**  
OF  
**Annuity Insurers**  
[www.annuity-insurers.org](http://www.annuity-insurers.org)

# Attendees

- **Ameriprise Financial**  
Dixie Carroll, Assistant General Counsel, Assistant Secretary
- **Nationwide**  
Michael Stobart, Vice President, Associate General Counsel  
Jamie Casto, Managing Counsel
- **Northwestern Mutual**  
Michael J. Mazza, Assistant General Counsel, Assistant Secretary
- **Prudential Financial**  
William J. Evers, Vice President, Chief Counsel
- **Sutherland Asbill & Brennan, LLP**  
Stephen E. Roth, Partner  
Mary Jane Wilson-Bilik, Partner  
Dodie Kent, Partner

# Summary

- Proposed Rule 30e-3 will benefit investors
  - Will reduce the large volume of paper delivered to investors in variable products
  - Will increase “access” to documents
- Proposed Rule 30e-3 will not disadvantage seniors
- Proposed Rule 30e-3 will be beneficial for insurers if modified as requested
  - Likely will lead to higher satisfaction by contract owners
  - Will cut costs
- Proposed Rule 30e-3 will help advance e-delivery
- Certain revisions needed

# Investor Benefits

- The proposal will reduce the large volume of paper delivered to investors in variable products
  - As owners of two-tiered products, variable products owners receive:
    - Annual Prospectuses: for the insurance product and each underlying fund
    - Supplements: for the insurance product prospectus and each underlying fund prospectus
    - Annual Fund Reports: for each underlying fund
    - Semi-Annual Fund Reports: for each underlying fund
    - Confirms, Annual and Quarterly Statements
- While no detailed statistics exist, insurers regularly receive complaints about the large volume of paper contract owners receive

## Investor Benefits, cont'd

- Proposal will enhance document access for investors
  - By giving contract owners a simplified way to locate searchable annual and semi-annual reports on line, the proposal will permit contract owners to search for and find relevant information
    - When placed on line, fund information will be available longer – for at least 244 days
    - More data will be easily available: prior annual and semi annual reports and portfolio holdings will also be placed on the fund's website, providing contract owners with more comparative information than ever before

# Impact to Seniors

## The proposal will not disadvantage seniors

- Studies show that as of 2014, in households with income between \$50,000 and \$75,000, regardless of age, internet usage was in excess of 93%. For household income greater than \$75,000, internet usage grew to 99%
- ICI found that mutual fund shareholders 65 and older have an 84% rate of Internet access, as compared to 91% for all U.S. households
- Member statistics related to electronic delivery and age

# Insurer Benefits

- The proposal, if revised, could lead to a higher level of satisfaction by contract owners with disclosure
  - If the Commission permits consolidated notices to be sent, owners will have simplified entrée to fund documents and information
    - But without consolidation, confusion and frustration can be expected
  - The proposal is consistent with summary fund prospectus method of document delivery that has been positively received by investors
  - SEC's disappointing experience with "notice and access" model for proxy material delivery is inapposite
- The proposal will save printing and mailing costs



# E-delivery Advancement

The proposal would advance the current state of e-delivery

- Permitting insurers to make annual and semi annual reports available on line, as opposed to printing and mailing them, would be a natural and needed next step in the advancement of e-delivery
- We applaud the Commission for taking this important step to modernize the manner in which periodic information is transmitted to investors

# Needed Revisions

The Committee urges the Commission to adopt critical revisions to the proposal consistent with the two-tiered nature of variable products

- Allow insurers to send the Initial Statement and notices: It is impossible for VIP Funds to send the required documents
- Initial Statement: permit one consolidated statement per product
  - Permit statement to be included in the product prospectus
  - Permit consolidated reply to the insurance company
  - Allow opt-out by phone or website; eliminate the need for postage pre-paid reply card and envelope
  - Permit universal opt-out on a contract basis
  - If separate statement, allow contract prospectus, SAI or contract to accompany notice
  - Carry through of implied consent

## Needed Revisions, cont'd

- Single semi-annual notices: permit one consolidated notice per product to be sent semi-annually
  - Permit insurer to send the notice
  - Permit consolidated reply to the insurance company
  - Allow opt-out by phone or website; eliminate the need for postage pre-paid reply card and envelope
  - Permit universal opt-out on a contract basis
  - Allow prospectus, SAI or contract to accompany notice
  - Insurer should be permitted to file the form of Notice with the SEC

- The Committee appreciates the SEC staff's considerations of its views

## The Committee of Annuity Insurers

AIG Life & Retirement  
Allianz Life  
Allstate Financial  
Ameriprise Financial  
Athene USA  
AXA Equitable Life Insurance Co.  
Fidelity Investments Life Insurance Co.  
Genworth Financial  
Global Atlantic Life & Annuity Cos.  
Great American Life Insurance Co.  
Guardian Insurance & Annuity Co.  
Jackson National Life Insurance Co.  
John Hancock Life Insurance Co.  
Life Insurance Co. of the Southwest

Lincoln Financial Group  
MassMutual Financial Group  
Metropolitan Life Insurance Co.  
Nationwide Life Insurance Companies  
New York Life Insurance Co.  
Northwestern Mutual Life Insurance Co.  
Ohio National Financial Services  
Pacific Life Insurance Co.  
Protective Life Insurance Co.  
Prudential Insurance Co. of America  
Symetra Financial Corp.  
The Transamerica Companies  
TIAA  
USAA Life Insurance Co.  
Voya Financial, Inc.